



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: FEBRUARY 23, 2026

SUBJECT: RIVERSIDE PUBLIC UTILITIES 2025 ANNUAL AUDIT AND FINANCIAL REPORT

ISSUE:

Consider the Riverside Public Utilities 2025 Annual Audit and Financial Report for the fiscal year ended June 30, 2025.

RECOMMENDATION:

That the Board of Public Utilities recommend that the City Council approve the Riverside Public Utilities 2025 Annual Audit and Financial Report.

BACKGROUND:

An independent audit of the City of Riverside (City) and its related entities' financial statements is performed each year. On April 16, 2024, the City Council approved a five-year term with CliftonLarsonAllen LLP (CLA) to serve as independent external auditors for the annual financial statements.

The Riverside Public Utilities (RPU) Fiscal Policy was adopted by the Board of Public Utilities (Board) on May 23, 2016, and City Council on July 26, 2016. The Cash Reserves section of the Fiscal Policy was updated and approved by the Board on November 17, 2025, and by City Council on December 2, 2025. Per the Fiscal Policy, RPU shall prepare annual full-accrual financial statements, including the Management's Discussion and Analysis and the accompanying Notes to the Financial Statements.

Per the City's Charter Section 1202(a), the Board "shall have the duty" to consider the annual budget of the Department of Public Utilities and make recommendations to the City Council and the City Manager.

DISCUSSION:

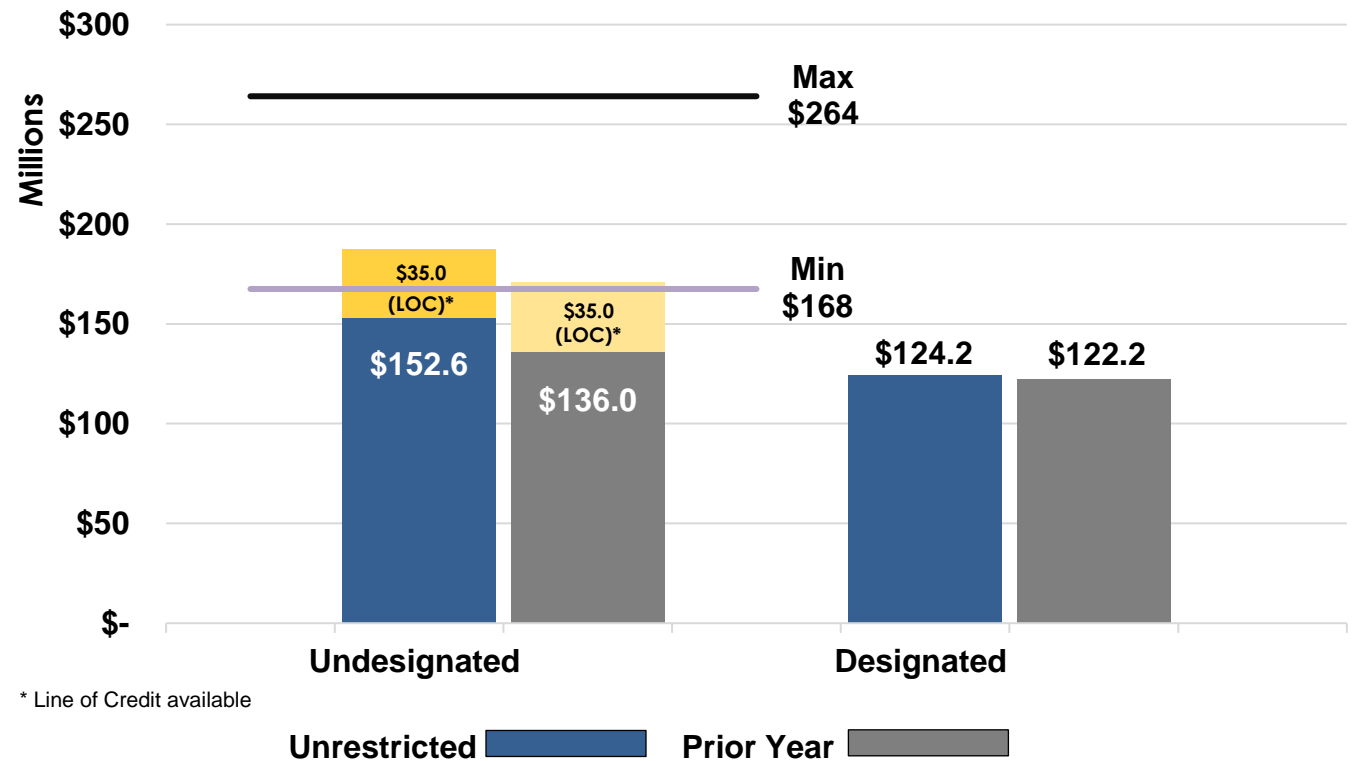
The City's independent auditor, CLA, has completed the Fiscal Year 2024-25 annual audit of RPU's financial statements. The auditors provided an unmodified, or clean, opinion that RPU's financial statements are presented fairly and in conformity with generally accepted accounting principles. This clean audit opinion reflects RPU's compliance with generally accepted accounting principles and statutory requirements. During the audit, a prior period restatement was recorded

to adjust the beginning net position related to construction in progress, accumulated depreciation, and customer deposits associated with developer-funded capital projects for both the Electric and Water Utilities. As a result, there were no audit findings related to any new capital projects during the current audit year.

Reserve Policy Compliance:

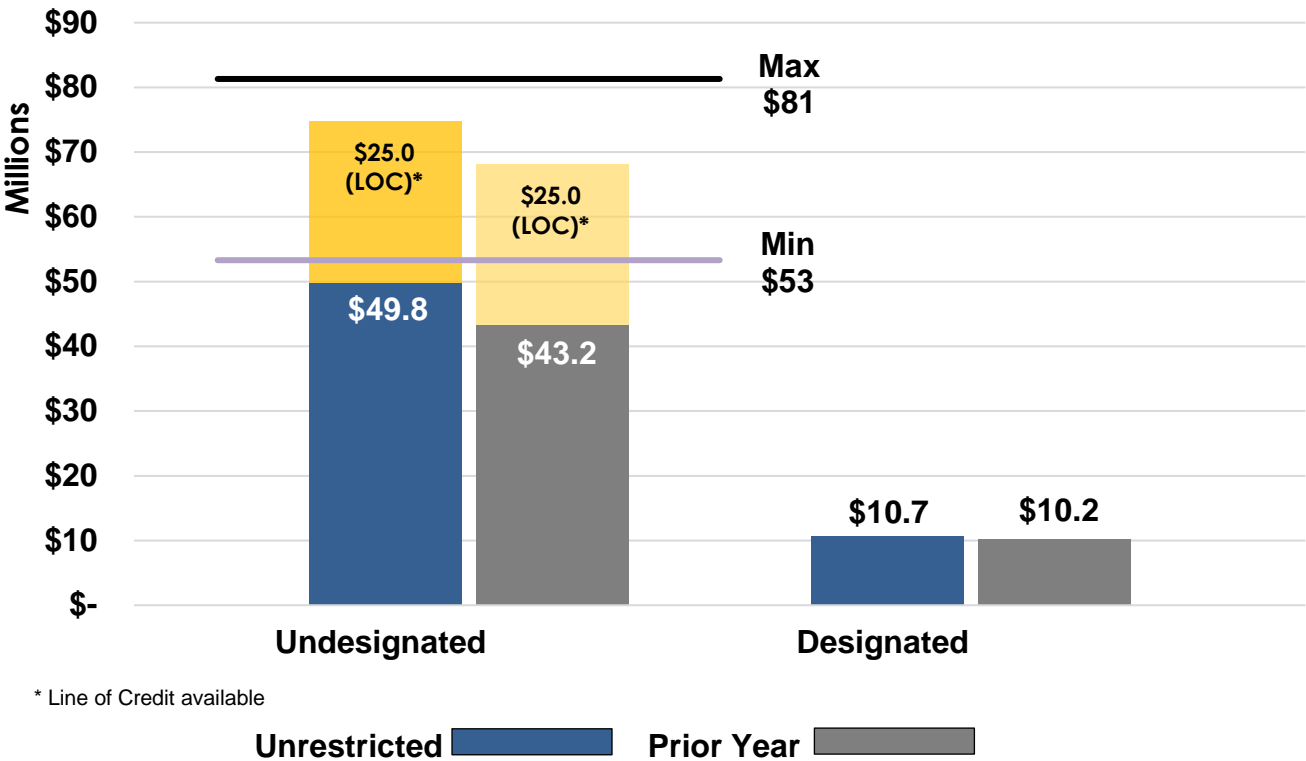
The RPU Cash Reserve Policy provides a defined target for the level of undesignated reserves in both the Electric and Water Utility for strategic purposes to mitigate financial risks and maintain financial stability.

Electric Utility Unrestricted Reserves:



As of June 30, 2025, the Electric Utility balances were \$124.2 million for designated reserves, \$152.6 million for undesignated reserves, and \$35.0 million available on the line of credit (LOC). The LOC provides flexibility and operating liquidity similar to cash reserves but is not reflected as cash on the balance sheet. The undesignated reserve balance, combined with the LOC, is in compliance with the RPU Cash Reserve Policy as of June 30, 2025. The reserves are above target minimum, which is consistent with projections provided during the biennial budget and rate plan proposal processes. Designated reserves are considered unrestricted assets and represent a portion of unrestricted reserves that meet specific purposes set aside by the Board and City Council. The designated reserve balance includes reserves for Customer Deposits, Additional Decommissioning Liability, Electric Reliability, Capital Repair and Replacement, Mission Square Improvement, and Dark Fiber. The undesignated reserves have not been designated for a specific purpose and may be used for any lawful purpose, including operating and maintenance expenses, debt service, emergency capital, and system improvements capital, as directed in the reserve policy.

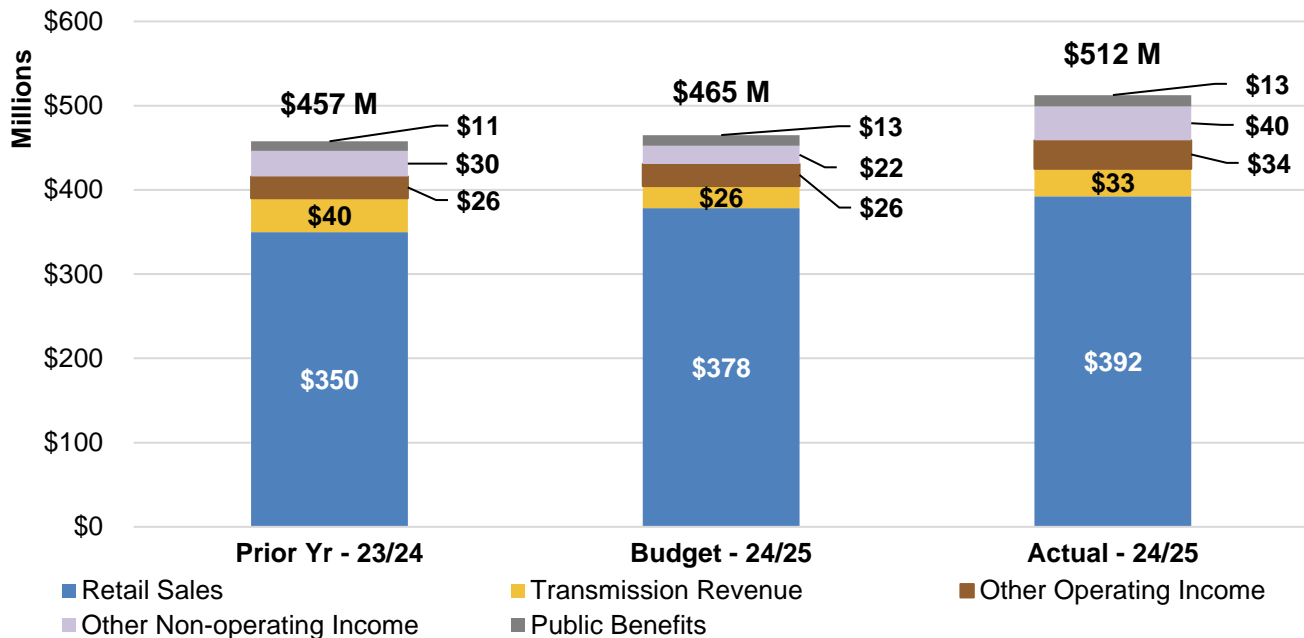
Water Utility Unrestricted Reserves:



As of June 30, 2025, the Water Utility balances were \$10.7 million for designated reserves, \$49.8 million for undesignated reserves, and \$25.0 million available on the LOC. The LOC provides flexibility and operating liquidity similar to cash reserves but is not reflected as cash on the balance sheet. The undesignated reserve balance, combined with the LOC, is in compliance with the RPU Cash Reserve Policy as of June 30, 2025. The reserves are above target minimum, which is consistent with projections provided during the biennial budget and rate plan proposal processes. Designated reserves are considered unrestricted assets and represent a portion of unrestricted reserves that meet specific purposes set aside by the Board and City Council. The designated reserve balance includes reserves for Recycled Water, Property, Customer Deposits, and Capital Repair and Replacement. The undesignated reserves have not been designated for a specific purpose and may be used for any lawful purpose, including operating and maintenance expenses, debt service, emergency capital, and system improvements capital, as directed in the reserve policy.

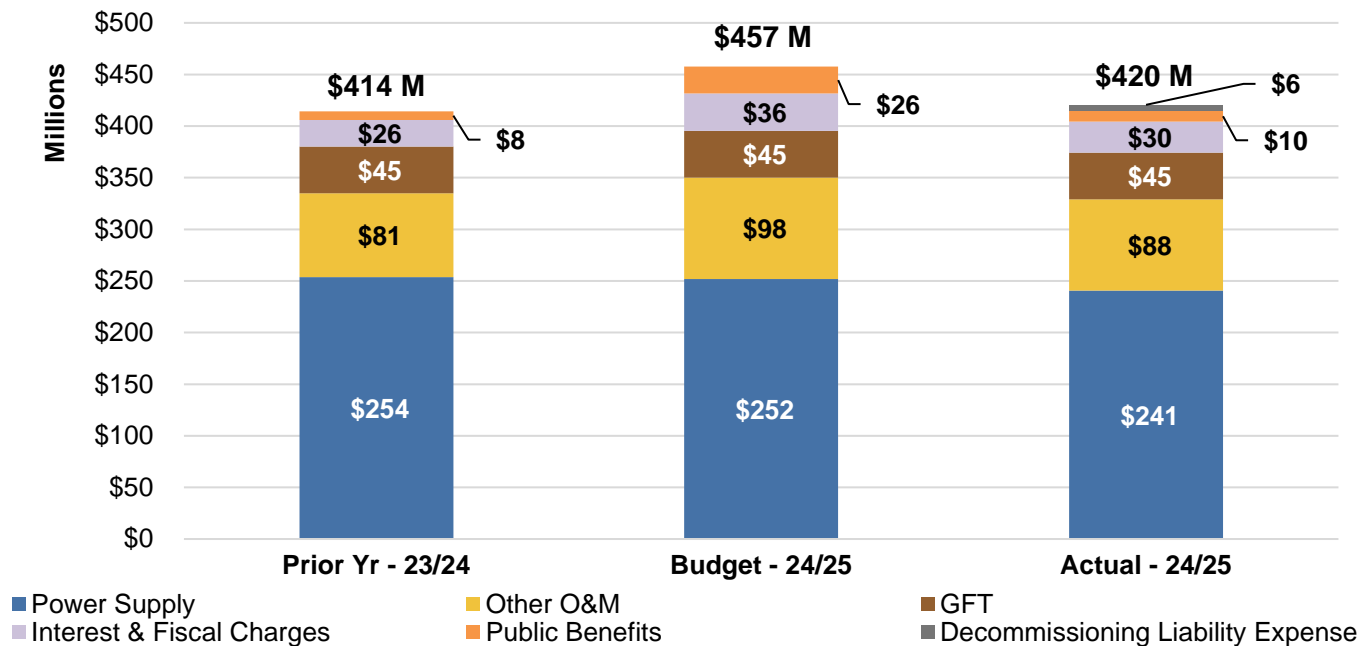
Revenues and Expenses:

Electric Utility Revenue Results:



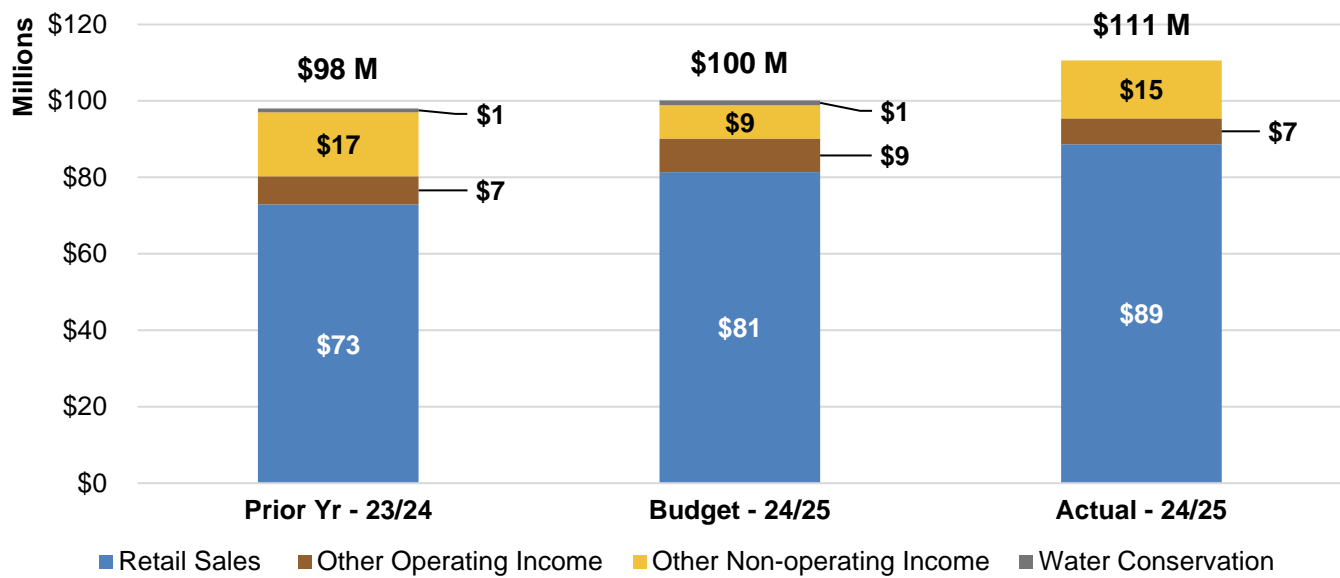
Total electric revenues, including non-operating revenue, totaling \$512 million, were higher than budget by \$47 million (10.1%) and higher than prior year by \$55 million (12.0%).

- 1) Retail sales, net of uncollectibles/recoveries, of \$392 million, which represent 76.6% of revenues, were higher than budget by \$14 million (3.7%) and higher than prior year by \$42 million (12.0%) primarily due to approved rate plan adjustments, higher customer consumption, and the implementation of an enhanced methodology for estimating unbilled revenue at year-end.
- 2) Transmission revenues of \$33 million were higher than budget by \$7 million (26.9%) due to higher than expected High Voltage Transmission Revenue Requirement rates, but lower than prior year by \$7 million (17.5%) primarily due to lower High Voltage Transmission Revenue Requirement rates for the Electric Utility in fiscal year 2024/25 compared to fiscal year 2023/24.
- 3) Other operating revenues of \$34 million were higher than budget by \$8 million (30.8%) and higher than prior year by \$8 million (30.8%) primarily due to an increase in Resource Adequacy (RA) sales as a result of increased outside sales of excess RA and significant upward price pressure in the RA market, and miscellaneous service revenues.

Electric Utility Expense Results:

Total electric expenses, excluding depreciation and amortization, totaling \$420 million, were lower than budget by \$37 million (8.1%) but higher than prior year by \$6 million (1.4%).

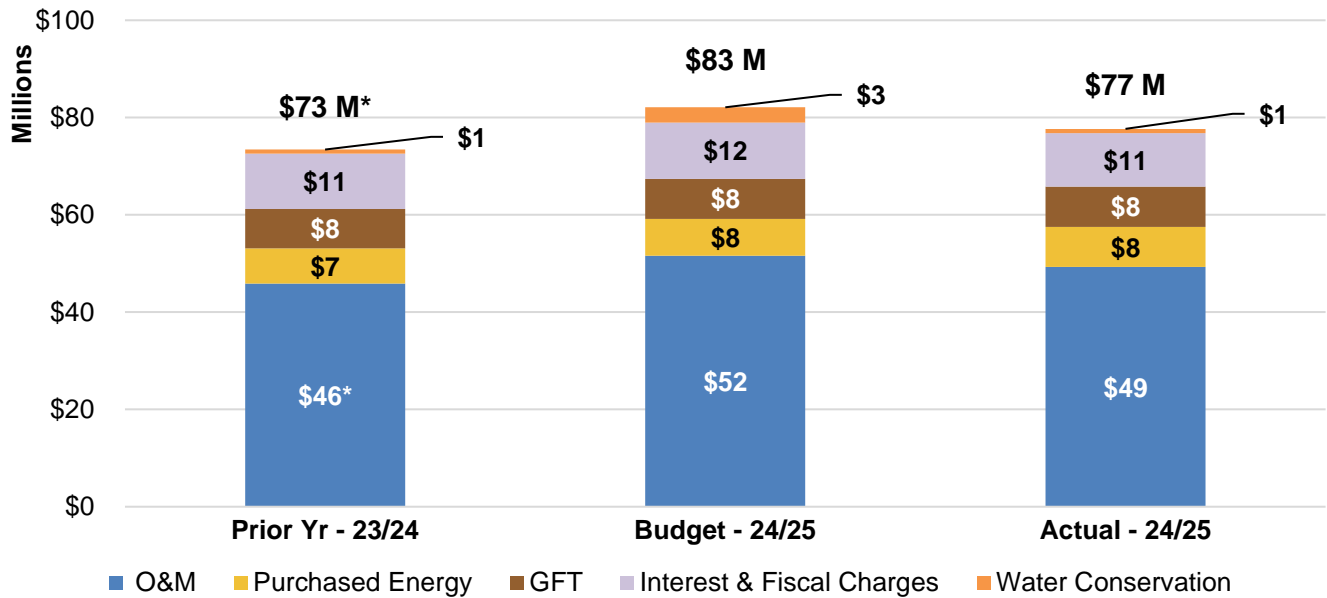
- 1) Power Supply costs of \$241 million were lower than budget by \$11 million (4.4%) and lower than prior year by \$13 million (5.1%) primarily due to lower forward market energy prices for purchased power. Fuel restrictions on the Electric Utility's Intermountain Power Project coal resource throughout 2023 caused it to forward hedge significantly more energy for fiscal year 2023/24 at higher prevailing forward market energy prices, as compared to fiscal year 2024/25.
- 2) Other operating and maintenance expenses of \$88 million were lower than budget by \$10 million (10.2%) primarily due to savings in both personnel and non-personnel general operating expenses. Other operating and maintenance expenses were higher than prior year by \$7 million (8.6%) primarily due to a non-cash pension adjustment of \$9.6 million, compared to prior year of \$7.7 million, as a result of pension accounting standards, along with increases in administrative and general operating expenses.
- 3) In fiscal year 2024/25, Southern California Edison provided the 2024 Decommissioning Cost Estimate report, which projected a material increase in costs for the Electric Utility over the life of the SONGS decommissioning project. As a result, it was determined that the decommissioning liability needed to be increased. The increase in the decommissioning liability of \$6 million was reported as a decommissioning liability expense.

Water Utility Revenue Results:

Total water revenues, including non-operating revenue, totaling \$111 million, were higher than budget by \$11 million (11.0%) and higher than prior year by \$13 million (13.3%).

- 1) Retail sales, net of uncollectibles/recoveries, of \$89 million, which represent 80.2% of revenues, were higher than budget by \$8 million (9.9%) and higher than prior year by \$16 million (21.9%) primarily due to approved rate plan adjustments, a 12.7% increase in customer consumption, and the implementation of an enhanced methodology for estimating unbilled revenue at year-end.
- 2) Other operating revenues of \$7 million were lower than budget by \$2 million (22.2%) primarily due to lower-than-anticipated wholesale and water conveyance revenues. Actual revenues were consistent with the prior year.
- 3) Other non-operating revenues of \$15 million were higher than budget by \$6 million (66.7%) primarily due to a fair value adjustment of investments, additional interest earned on revenue bonds, and additional income earned on lease receivables. Other non-operating revenues were lower than prior year by \$2 million (11.8%) primarily due to a decrease in contribution in aid, offset by an increase in settlement proceeds.

Water Utility Expense Results:



* As restated.

Total water expenses, excluding depreciation and amortization, totaling \$77 million, were lower than budget by \$6 million (7.2%) and higher than prior year by \$4 million (5.5%).

- 1) Operations and maintenance expenses of \$49 million were lower than budget by \$3 million (5.8%) primarily due to savings in general operating expenses, such as professional services, production costs, building maintenance and repair, software maintenance and support, and citywide IT projects. Operations and maintenance expenses were higher than prior year by \$3 million (6.5%) primarily due to increases in personnel-related costs, a non-cash pension adjustment as a result of pension accounting standards, and increases in the cost of repairs and supplies.

Summary

In conjunction with the Finance Department, RPU staff and the leadership team worked closely to ensure prudent and thorough financial practices. The unmodified, or clean, audit opinion confirms that RPU operates with high ethical standards and has necessary internal controls to ensure an accurate and accountable use of public funds. Sound financial practices are fundamental to all government operations, and ratepayers expect this level of transparency and accountability.

The RPU annual financial report is distributed to the City Council, the Board of Public Utilities, federal and state government agencies per contract requirements, bondholders, credit rating agencies, and financial institutions, and is published on the City’s website. For additional information, refer to the attached 2025 Financial Report.

FISCAL IMPACT:

There is no fiscal impact related to this informational update.

Prepared by: Brian Seinturier, Utilities Assistant General Manager/Finance and Administration
Approved by: David A. Garcia, Utilities General Manager
Certified as to availability of funds: Julie Nemes, Interim Finance Director
Approved by: Gilbert Hernandez, Interim Assistant City Manager
Approved as to form: Rebecca McKee-Reimbold, Interim City Attorney

Attachments:

1. Riverside Public Utilities 2025 Financial Report
2. Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
3. Independent Auditors' Governance Communication
4. Presentation